

IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

STATE OF IDAHO

DIVISION OF FINANCIAL MANAGEMENT

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A job is a job, right? Well, it depends. There are two widely reported measures of job growth, and they do not always agree. This can be seen in the accompanying graph. During the recent economic recovery one employment measure showed U.S. employment was expanding as early as 2002. On the other hand, another statistic showed employment was still in the doldrums in 2002, and did not improve until late in 2003. One of the reasons for this discrepancy is, although both deal with employment, they actually measure different facets of the labor force. In this issue of the *Outlook* we will explain the different employment statistics.

The first measure of employment we will cover counts the number of people working. This data is collected by a monthly survey sample of U.S. households. Each respondent is asked whether people in the home 16 years of age or older are employed. Obviously, this provides a count for the number of people employed in the U.S. An important limitation of this measure is that it makes no distinction for multiple-job holders. For example, a person is considered employed whether they have one job or several jobs.

The second measure of employment comes from the establishment survey data. This metric counts the number of jobs in the economy. Like the household data, this information is collected by a survey. Each month a number of U.S. companies are asked about the number of jobs they have. It is important to understand what counts as a job. For instance, a job is counted whether it is a full- or part-time position. In fact, for a job to be counted it needs to have lasted at least one hour and have paid at least one dollar during the survey week.

There are some significant differences in scope between the two measures of employment. For example, the household survey considers farm workers, the self-employed, unpaid family workers, and private household workers as employed. The establishment survey excludes these groups. This accounts for the large "gap" between the two series. The household survey is limited to workers 16 years of age and older. The establishment data is not limited by age. The household survey has no duplication of individuals, because individuals are counted only once, even if they hold more than one job. In the establishment survey employees holding more than one job are counted for each job. The household survey counts workers on unpaid leave as employed. The establishment data does not include them.

The difference between the two measurements shrinks when adjustments are made based on the definitions. An example of this was provided by Tao Wu in the article entitled "Two Measures of Employment: How Different Are They?" which was published in the October 2004 *Idaho Economic Forecast*. The author found the gap of nearly 700,000 between the two measures for the 12-month period ending in September 2003 reduced to 165,000 when adjustments were made for population revisions and the number of self-employed. These adjustments also showed that instead of increasing by 261,000, household employment actually decreased by nearly 600,000. This is more consistent with the reported decline of 427,000 jobs during this time than the unadjusted estimate of household employment.

Seasonally Adjusted National Employment



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General Fund Update

As of January 31, 2005

<u>Revenue Source</u>	<u>\$ Millions</u>		
	<u>FY05 Executive Estimate³</u>	<u>DFM Predicted to Date</u>	<u>Actual Accrued to Date</u>
Individual Income tax	974.5	583.0	589.8
Corporate Income tax	120.6	56.5	68.1
Sales Tax	933.4	573.5	575.3
Product Taxes ¹	22.4	13.5	13.7
Miscellaneous	105.9	45.8	51.3
TOTAL GENERAL FUND²	2,156.9	1,272.4	1,298.2

1 Product Taxes include beer, wine, liquor, tobacco and cigarette taxes
2 May not total due to rounding
3 Revised Estimate as of January 2005

General Fund revenue surged again in January, coming in \$12.1 million higher than expected for the month. This brings the fiscal year-to-date excess to \$25.9 million as we head into the start of the income tax filing season. The gain experienced in January was due almost entirely to individual and corporate income tax receipts. These two revenue categories are also responsible for the bulk of the fiscal year-to-date excess, with a smaller contribution from miscellaneous revenue (in the form of strong unclaimed property receipts in December). Most of the excess revenue collected through January appears to be one time in nature, meaning that there is no reason to think similar gains will occur in the remaining months of the year. There is also no reason to think that later month's collections will be correspondingly lower.

Individual income tax collections were \$4.9 million higher than expected in January. For the month, filing collections were \$6.8 million higher than expected and withholding collections were \$1.6 million higher than expected. Refunds were also \$3.4 million higher than expected. On a year-to-date basis filing collections are \$8.1 million ahead of expectations, withholding collections are \$1.6 million ahead, and refunds are \$2.9 million higher than expected.

Corporate income tax collections were \$6.4 million higher than expected in January. This brings the year-to-date excess to \$11.6 million. Last month's Outlook erroneously reported that December corporate income tax revenue was \$6.1 million higher than expected. The correct number is \$5.2 million. Corporate refunds were on target in January, but

filing collections were \$2.3 million higher than expected and estimated payments were \$3.7 million higher than expected.

Sales tax collections were \$0.7 million higher than expected in January, bringing the year-to-date excess to \$1.8 million. This performance is not as spectacular as the gains seen earlier this fiscal year, but it is gratifying when considering that the sales tax forecast has been increased by \$22.6 million in the current forecast.

Product taxes were \$0.2 million higher than expected in January due to strength in cigarette and tobacco taxes. Miscellaneous revenues were exactly on target.